TEACHERS' PENSION PLAN

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS SUMMER 2007

All in the family: Two generations on pension

Teachers are retiring earlier and living longer, resulting in families with two generations of pensioners.

One such family is headed by Etobicoke's Mary and Lloyd Augustus, who retired in 1984 after a combined 88 years in the classroom.

Their son, Grant, and his wife, Lynda, began collecting their pensions in 1998 after 30 years of teaching, while daughter Rosemary retired in June. Two granddaughters carry on the family teaching tradition.

Long lifespans are producing other striking numbers. We have 2,200 pensioners in their 90s and 72 aged 100 or older.

Widow collects pension for 58 years

A 98-year-old Toronto woman has been collecting a survivor pension for 58 years, twice as long as the average teaching career.

The widow began receiving a pension the same day the Berlin airlift ended on Sept. 30, 1949. She was only 40 when her husband died after a 17-year teaching career. She never remarried.

"When we say we're prepared to still be paying a pension 70 years after a member begins teaching, we really aren't exaggerating," quipped Rosemarie McClean, Senior Vice-President, Member Services.

Today, a typical member collects a pension for 29 years. After that, the pension is often paid to a survivor for five more years.

Our oldest pensioner, who turned 106 last November, is only eight years younger than the oldest living person in the world – 114-year-old Yone Minagawa of Japan. ■

Mary and Lloyd Augustus head a family of two generations of retired teachers.

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Teachers apply for pension online before emotional last day

From a heavy heart to unbridled joy, emotions ran the gamut as 3,400 retiring teachers left their classrooms in June for the last time.

"At the end of the day, all I could say was 'oh' and then I almost cried," said Christine, a retired special education teacher.

Approximately 70 per cent of our new pensioners applied for their pension online at *i*Access Web, the secure members-only section of our website.

"Once you're retired, there are still many good reasons to plug into our online services," said Rosemarie McClean, Senior Vice-President, Member Services.

At *i*Access Web, pensioners can:

- view audio-visual presentations on popular pension subjects, including inflation protection, re-employment and survivor benefits;
- increase the tax deducted from their pension to equalize their income tax payments;
- update their address, phone number and other personal information;
- retrieve a duplicate T4A;
- read personal pension correspondence in their own private Document Centre;
- see a record of their pension payment history; and
- access general information.

Two ways to register for online services

1. Download and complete the *i*Access Web registration form found on our website at www.otpp.com.

2. Call 416-226-2700 or 1-800-668-0105, weekdays from 8 a.m. to 5:30 p.m.

Survey results released

Teachers are prepared to pay up to an average of 12.3 per cent of their earnings to preserve their future pension, shows a survey report released in June.

The survey was commissioned by the Ontario Teachers' Federation, the Ontario government and the Teachers' pension plan to gauge member preferences for possible changes in contribution and benefit levels if a funding shortfall must be addressed in the future. Pensioners were not surveyed because their pension cannot be changed under Ontario's Pension Benefits Act.

For more information on the survey findings, visit www.otpp.com.

DID YOU KNOW?

57
Average retirement age

86
Average life expectancy at retirement

2,200
Number of pensioners in their 90s

72
Number of pensioners aged 100 or older

106
Age of our oldest pensioner

As of Dec. 31, 2006

Working after retirement limits extended to age 71

The pension plan's working after retirement limits now apply to pensioners until Nov. 30 of the year in which they turn age 71, up from age 69.

The age extension, which is required to comply with the federal government's increase in the pension age limit, only applies to pensioners who turn 69 after 2006.

Pensioners who reach the age limit can work in education as much as they want without affecting their Teachers' pension. Those below the age limit can only work in education for up to 95 days in each of the first three school years in which they return to work (these don't need to be consecutive years) and 20 days in each school year after that. Years worked during a five-year window – from Sept. 1, 2001, to Aug. 31, 2006 – are excluded from the working after retirement limits.

Pensioners under 71 who continue to work after the month in which they exceed the limit should notify us immediately. We will suspend their Teachers' pension for as long as they continue to work (see *You Asked Us*, page 7).

For more information, consult the fact sheet, *Working in Education After Retirement*, in the publications section of our website at www.otpp.com. ■

Pensioners who turn 69 after 2006 are subject to the plan's working after retirement limits until age 71

When teachers retire

(averaged since 1999)

Retired at age 65 or older: 4%
Retired before reaching 85 factor (reduced pension): 25%
Retired at 85 factor: 43%
Worked beyond 85 factor: 28%

Today, the average teacher retires at age 57 and can expect to collect a pension for 29 years.

Pensioners by age

There is a 56-year difference between the plan's youngest and oldest pensioners.

Global portfolio expands from Chile to Turkey

BCE board recommends fund's bid

Shareholders will be asked to approve, before the end of October, an offer from the Ontario Teachers' Pension Plan and private equity partners to purchase BCE for $51.7 billion ($42.75 a share).

If approved by shareholders and regulatory authorities, the offer will represent the largest buyout in corporate history.

"We strongly believe this investment will benefit shareholders today and plan members and their beneficiaries in the future," said Teachers' Senior Vice-President Jim Leech.

The offer was selected over rival bids by BCE's Board of Directors on June 30.

The Teachers' pension fund would own 52 per cent of BCE, while Providence Equity Partners Inc. would own 32 per cent, Madison Dearborn Partners, LLC, nine per cent, and other Canadian investors, seven per cent.

The Teachers' pension fund is already BCE's largest shareholder. By taking the company private, its equity stake increases to approximately $4 billion from $2 billion.

More information on the offer is available on our website at www.otpp.com.

Container terminal deal completed

The New York Container Terminal on Staten Island is now owned by the Teachers' pension fund.

The New York facility is the last of four marine container terminals to be purchased by the Teachers' fund from Hong Kong's Orient Overseas (International) Ltd. for a total of U.S. $2.4 billion.

Earlier this year, the pension fund bought terminals in Bayonne, New Jersey, and in Delta and Vancouver, B.C. The purchase represents the largest and first solo infrastructure investment since the fund began investing in such assets in 2001.

Jim Leech, Senior Vice-President, Teachers' Private Capital

Pension plan opens London office

London is home to the pension plan's first office outside of Toronto. The office opened in May with three employees to allow better access to international private equity opportunities.

"We believe private capital will continue to generate considerable returns for our fund, and to optimize our efforts we need to be close to the market and the opportunities as they arise," said Teachers' Senior Vice-President Jim Leech.

Fund buys New Zealand telephone directories

The Teachers' pension fund is expanding its Yellow Pages business.

In March, the fund teamed up with CCMP Capital Asia, a private equity firm based in Hong Kong, to buy Telecom Corp., New Zealand's print and telephone directories business.

The fund and another private equity firm jointly acquired BCE's Yellow Pages business in 2002. The business was later converted to Yellow Pages Income Fund.

Samsonite Corp. sold for five times purchase price

The Teachers' pension fund, along with two private equity partners, has sold its joint 85 per cent interest in Samsonite Corp. for $1.7 billon. Samsonite reclaimed its position as a world leading luggage maker after the trio invested in the company in 2003.

Private equity fund launched in Turkey

The Canada Pension Plan Investment Board and the Teachers' pension fund have jointly created the largest private equity fund to focus exclusively on investment opportunities in Turkey.

"Turkey is an attractive private equity market, with a large and growing population, a high number of quality mid-tier businesses, and a developing economy which is expected to benefit from becoming increasingly harmonized with Europe," said Erol Uzumeri, Vice-President, Private Capital International.

Fund buys South American assets

The Teachers' pension fund has agreed to acquire interests in two private water supply, distribution and wastewater service companies in Central Chile for an undisclosed amount.

"These acquisitions represent our first infrastructure investments in South America," said Stephen Dowd, Vice-President, Infrastructure. "Chile is an excellent country for us to invest in because of its growing economy, openness to foreign investment, and mature regulatory environment for water and wastewater services."

The Chilean government began privatizing public water utilities in 1998 and continues to regulate rates to ensure fairness in price and service.

Finnish adhesive maker purchased

Dynea North America is now an independent company called Arclin, following the pension fund's purchase of the operation from Dynea Chemicals OY of Finland. The Mississauga-based company produces specialty adhesives and paper overlays at 15 facilities in Canada, the U.S. and Mexico.

Pension fund teams up to purchase nutrition, supplement firm

The Teachers' pension fund has made a healthy investment in the growing wellness market with the joint purchase of the world's biggest retailer of vitamin and nutritional supplements.

Together with private equity firm Ares Management LLC, the fund purchased the parent company of General Nutrition Centres (GNC). GNC has 4,800 retail stores in the U.S. and franchises in 46 international markets.

"People are becoming more health-conscious as they get older, and that's what's driving this business," said Lee Sienna, Vice-President, Private Capital U.S.

Fund agrees to buy U.K. airport assets

Airport Group Investments Ltd. (AGIL), a limited company owned by the Teachers' pension fund and Victorian Funds Management Corp. (VFMC), has entered into a conditional agreement to acquire a 48.25 per cent interest in Birmingham International Airport.

Birmingham, the fifth largest airport in the U.K., handles more than nine million passengers a year through two terminals, and acts as a gateway to Europe, North America, India and the Middle East. Partner VFMC manages investments on behalf of government entities, including pension funds, in the Australian state of Victoria. ■

Sallows and Swirsky named to pension plan's board

Sharon Sallows and Bill Swirsky have joined the Ontario Teachers' Pension Plan Board.

Ms. Sallows is a partner in Ryegate Capital Corp., a Toronto company that provides merchant banking, as well as financial and strategic advisory services. A former executive at the Bank of Montreal and MICC Properties, Ms. Sallows has more than 30 years of business experience. She sits on the Board of Riocan Real Estate Investment Trust and is Chair of the Board of Executive Risk Services.

Sharon Sallows

Ms. Sallows holds a PhD from The Wharton School, University of Pennsylvania; an M.Sc. from the London School of Economics; and a BA from Carleton University.

Bill Swirsky

Mr. Swirsky is a chartered accountant and a former executive with the Canadian Institute of Chartered Accountants. He now works as an independent consultant, specializing in business strategy, risk management, governance excellence and financial reporting.

Mr. Swirsky is a Fellow of the Institute of Chartered Accountants of Ontario and a frequent speaker at national and international conferences. He holds a B.Comm. from the University of Toronto and an MBA from York University.

Mr. Swirsky has served on or worked with numerous boards, ranging from the Institute of Corporate Directors to the American Institute of CPAs, and several business and government task forces, including the National Round Table on the Environment and the Economy.

The pension plan's board has nine members who serve for up to four two-year renewable terms. Half of the members are appointed by the Ontario Teachers' Federation and half by the Ontario government. The two bodies jointly select the chair. ■

Pensions can be paid in 33 currencies around the world

William, a retired teacher, is collecting his Teachers' pension in Australian dollars.

Every month his pension is converted to the currency of his adopted country and wired to a local financial institution. Although some institutions charge a fee for the service, many pensioners find it's faster and more convenient to be paid in local funds.

About 300 pensioners, living in countries ranging from India to England, can receive their pensions in 33 currencies, including U.S. dollars. Pensioners moving abroad can also receive a cheque, in Canadian dollars, by mail.

For more information, please read our *Non-resident pension payments* fact sheet in the publications section of our website at www.otpp.com. ■

You Asked Us

Q Why does the pension plan require a probated will to pay death benefits to some estates?

A The practice ensures payment to the correct party and reduces potential liability. A probate certifies a will and gives the named executors authority to administer the deceased's estate. Most major financial institutions require a probated will for estate payments of $25,000 or more. We require a probate for payments of $50,000 or more to the estate.

Q What happens if I continue to work after I exceed the working after retirement limit?

A Pensioners who continue to work *after* the month in which they exceed the limit must notify the Teachers' pension plan. The pension plan will suspend their pensions for as long as they continue to work, even if for only part of a day.

For example, Jocelyn notified her employer when she reached the limit on Feb. 15. Her employer began deducting pension contributions from her pay on Feb. 16, her next day of work. Jocelyn's pension was suspended in March because she continued to work in March. Alternatively, if she had not worked again until April, her pension would have been paid in March and suspended in April.

For more information, consult the *Working in Education After Retirement* fact sheet in the publications section of our website at www.otpp.com.

Q Why did the government remove money from the pension plan when we had surplus funds?

A The government did not remove any money from the pension fund. To eliminate a shortfall that existed when the pension plan became an independent organization in 1990, the government agreed to make special payments to the fund. It made extra contributions to the plan and then used its share of surplus funds between 1993 and 1999 to eliminate the remaining pre-1990 deficit. The OTF used its share of the surplus to improve pension benefits as shown in the attached chart.

OTF	Ontario government
Pension benefit improvements including: • Permanent 85 factor • Lower CPP reduction (0.45% from 0.7%) • 10-year guaranteed death benefit • Reduced pension as early as age 50	Eliminated special payments scheduled to address the plan's pre-1990 unfunded liability
About $9 billion	**About $9 billion**

Q My husband, who was also a retired teacher, recently passed away. I was shocked to see how much tax I'm now paying on our combined pension. Why is this?

A You and your husband used to pay tax based on your individual pension incomes. Now you are receiving a survivor pension, in addition to your own retirement pension. This new combined pension is taxed at a higher rate consistent with your higher monthly income. ■

Plan wins accolades for service, governance and investments

Teachers' fund named savviest pension plan

The Teachers' pension fund is the first Canadian organization to be named, by U.S.-based *Institutional Investor News*, the "savviest" public sector pension plan of the year.

"The fund pushed the envelope last year by making private equity investments in South Africa, Turk , and India," the magazine noted.

The Teachers' fund also was named public pension fund investor of the year by *Alternative Investment News*, based in New York.

"It is not a stretch to say that Ontario is changing the way institutional investors think about absolute return," said Neil Rue, managing director of the Pension Consulting Alliance.

Earlier this year, *Private Equity International* magazine ranked Teachers' Private Capital 20th in the world in total private capital deployed over five years ending in April 2007.

Pension plan executives win Ivey Business Leader Award

Two pension plan executives are being honoured for their business achievements and contribution to strong corporate governance in Canada.

President and CEO Claude Lamoureux and Bob Bertram, Executive Vice-President, Investments, will receive the award from the Richard Ivey School of Business later this year.

"Together they have done more than anyone else to advance the cause of shareholder rights within corporate Canada and their influence is felt beyond our borders well into the global community," said awards Co-chair Gilles Ouellette.

Survey ranks Teachers' pension service in top tier

The pension plan received top marks for service in the just-released Cost Effectiveness Measurement survey of 64 pension plans from around the world. The Teachers' plan scored 88 out of 100 in the survey, while the top-ranked plans scored 89.

"We're very pleased with the results of the survey and will continue to strive to improve service each and every day," said Rosemarie McClean, Senior Vice-President, Member Services. ■

Rosemarie McClean

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